
Global Imbalance, Global Inequality

Danny Quah

Economics Department LSE

<http://econ.lse.ac.uk/staff/dquah/>

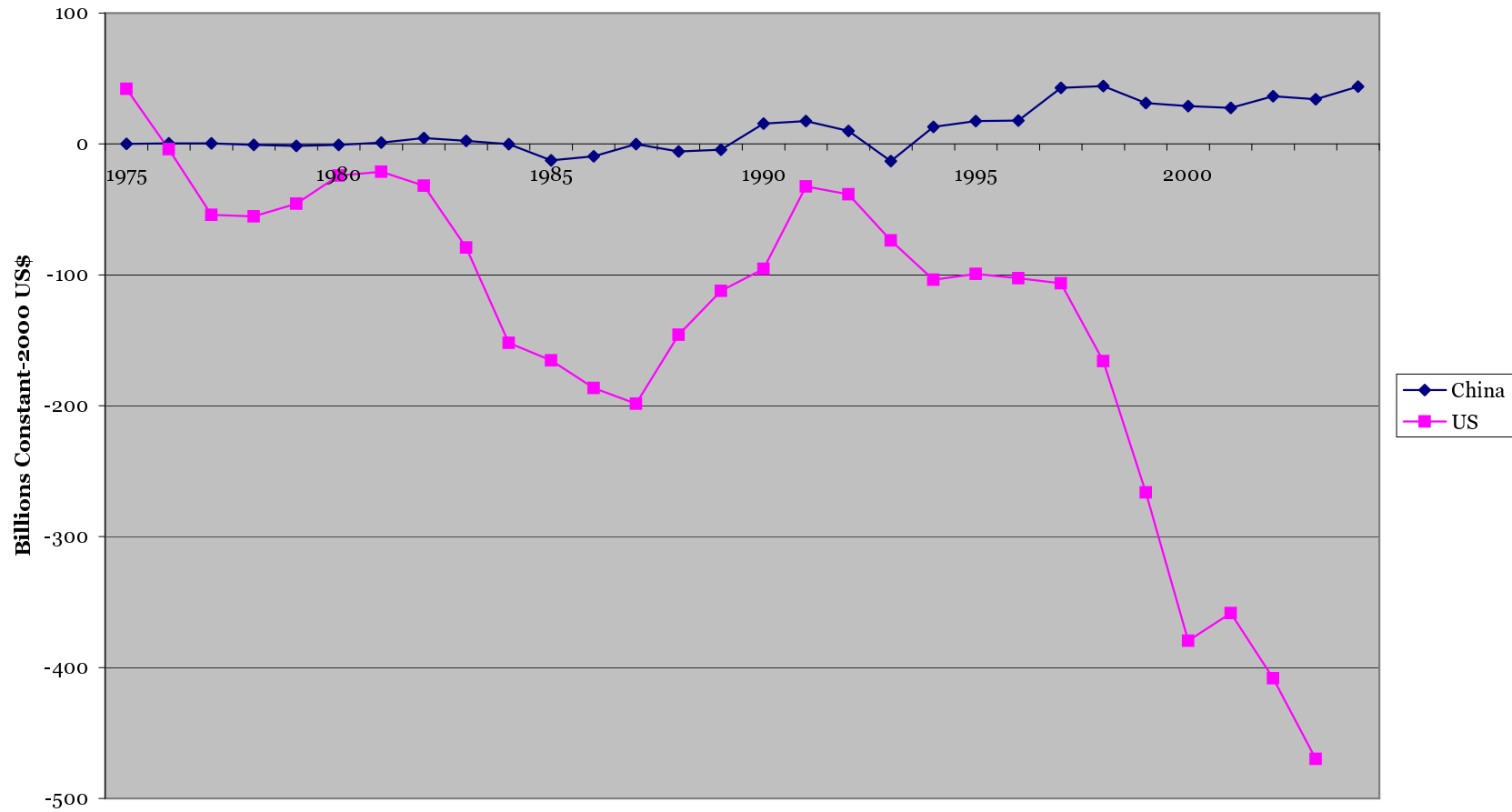
09 August 2007

British Council, KL

THREE CONJECTURES

1. Is globalization reducing welfare in the advanced economies?
 - Within-country inequality
 - Financial overhang
2. Is globalization reducing welfare in the rest of the world?
3. Who gets the last word?

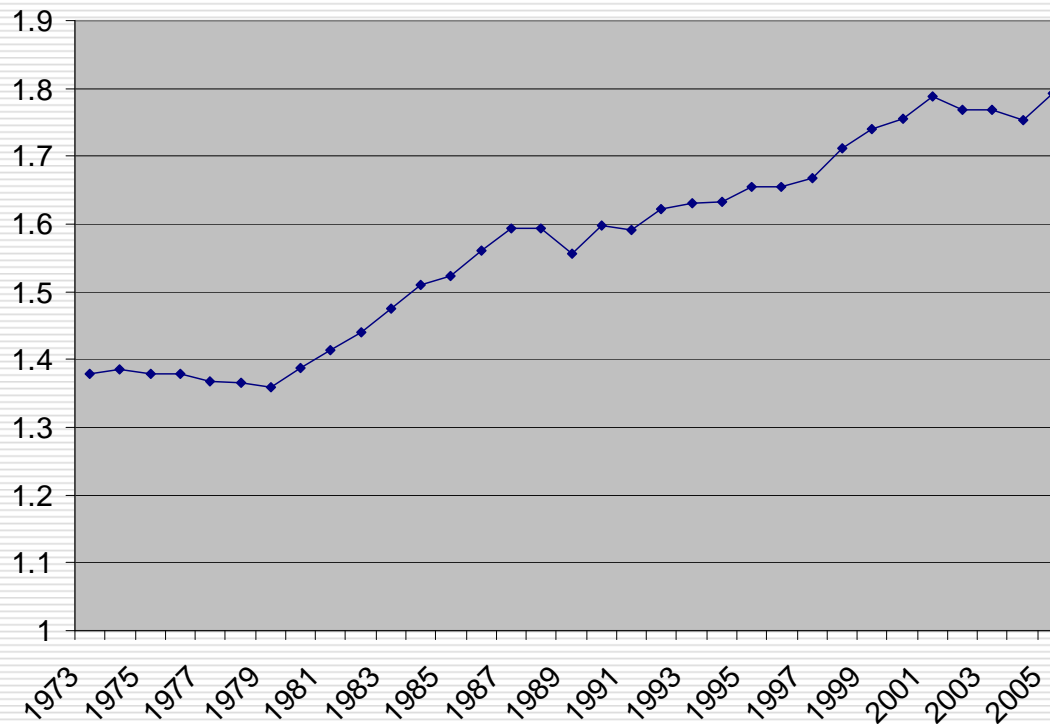
Trade balance, 1975-2004



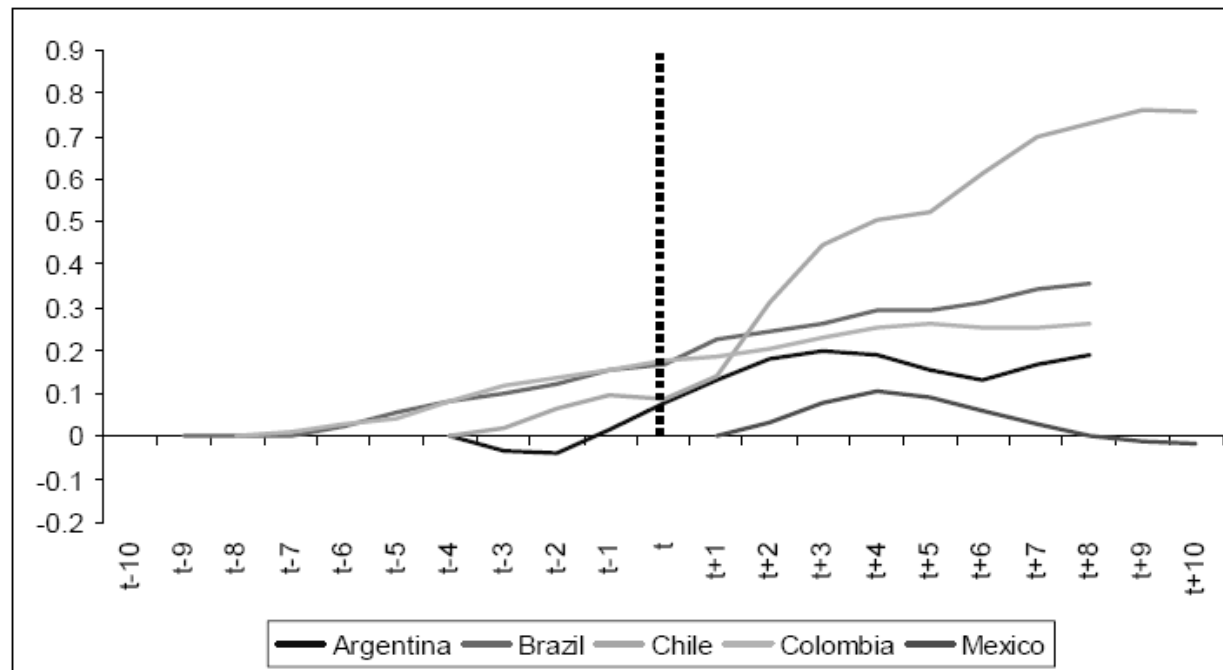
Annual earnings of US men 35-44, \$2005 (from Paul Krugman, 2007 Meade Lecture, LSE)

	1973	2005
Median	45,785	40,964
Mean	49,705	54,525

US College-High School wage ratio (from Paul Krugman, 2007 Meade lecture, LSE)

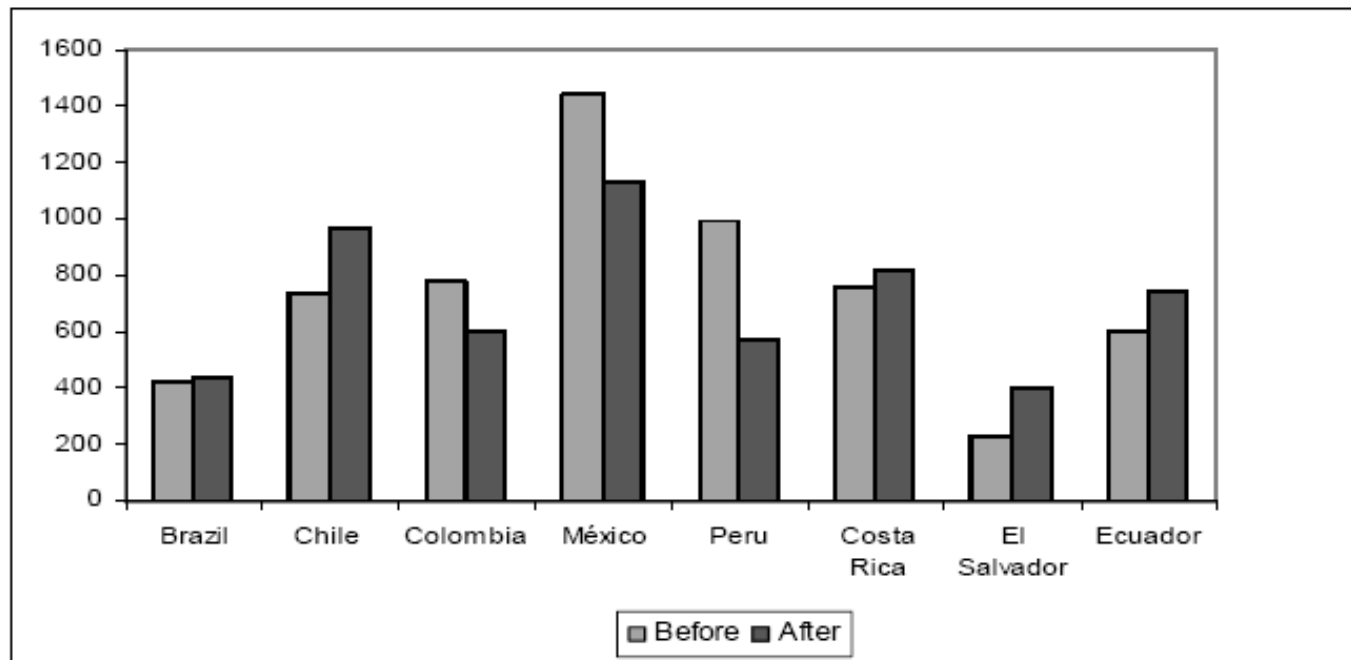


Skill premium before and after liberalization (from Paul Krugman, 2007 Meade lecture, LSE)

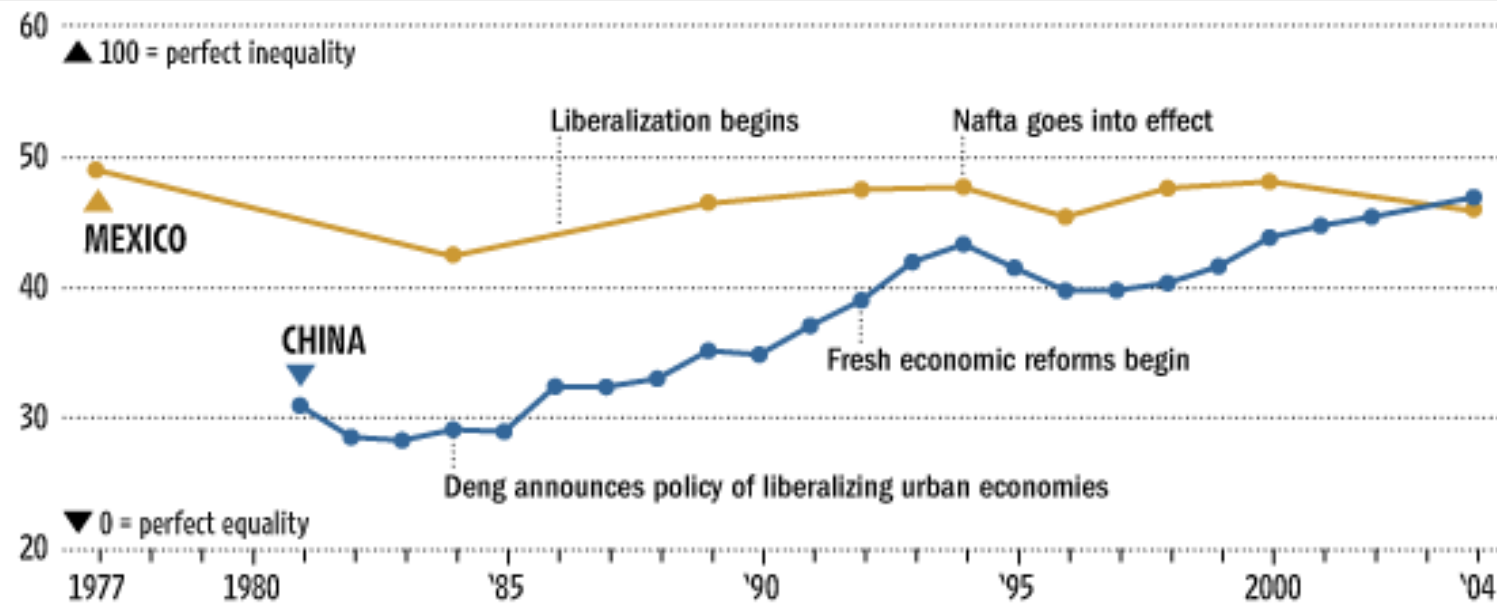


(from Paul Krugman, 2007 Meade lecture, LSE)

Income of the poor before and after trade reform



Wall Street Journal graphic, 2007



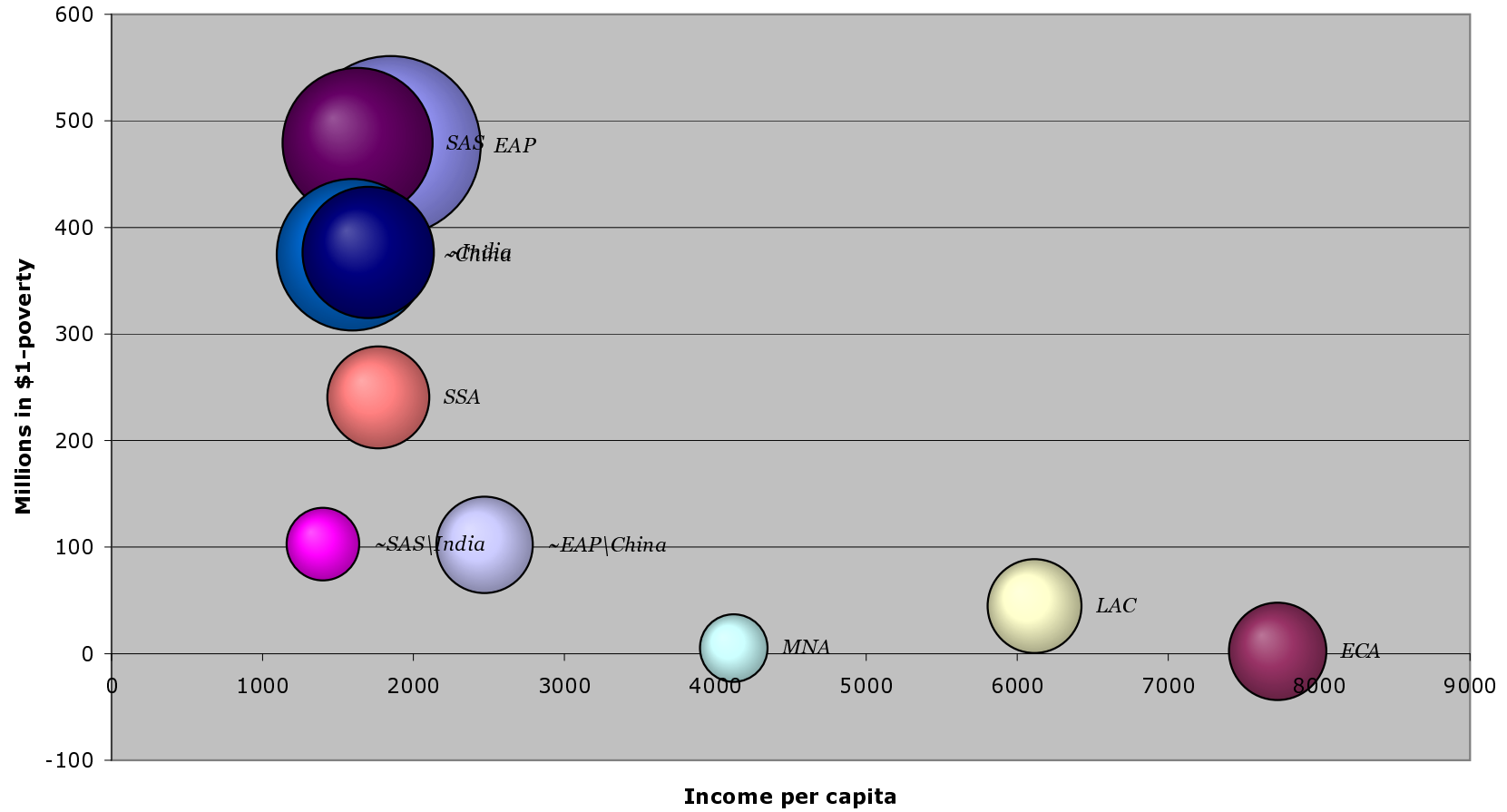
World growth and poverty

	1981	1990	1999	2004
GDP 10^{12} PPP\$	24.4	33.1	43.3	52.2
per capita PPP\$	5407.6	6291.5	7231.1	8198.5
World's \$1-poor (10^6)	1470.3	1247.7	1108.6	969.5
China's \$1-poor (10^6)	633.7	374.3	222.8	128.4
Remainder (10^6)	836.6	873.4	885.8	841.1

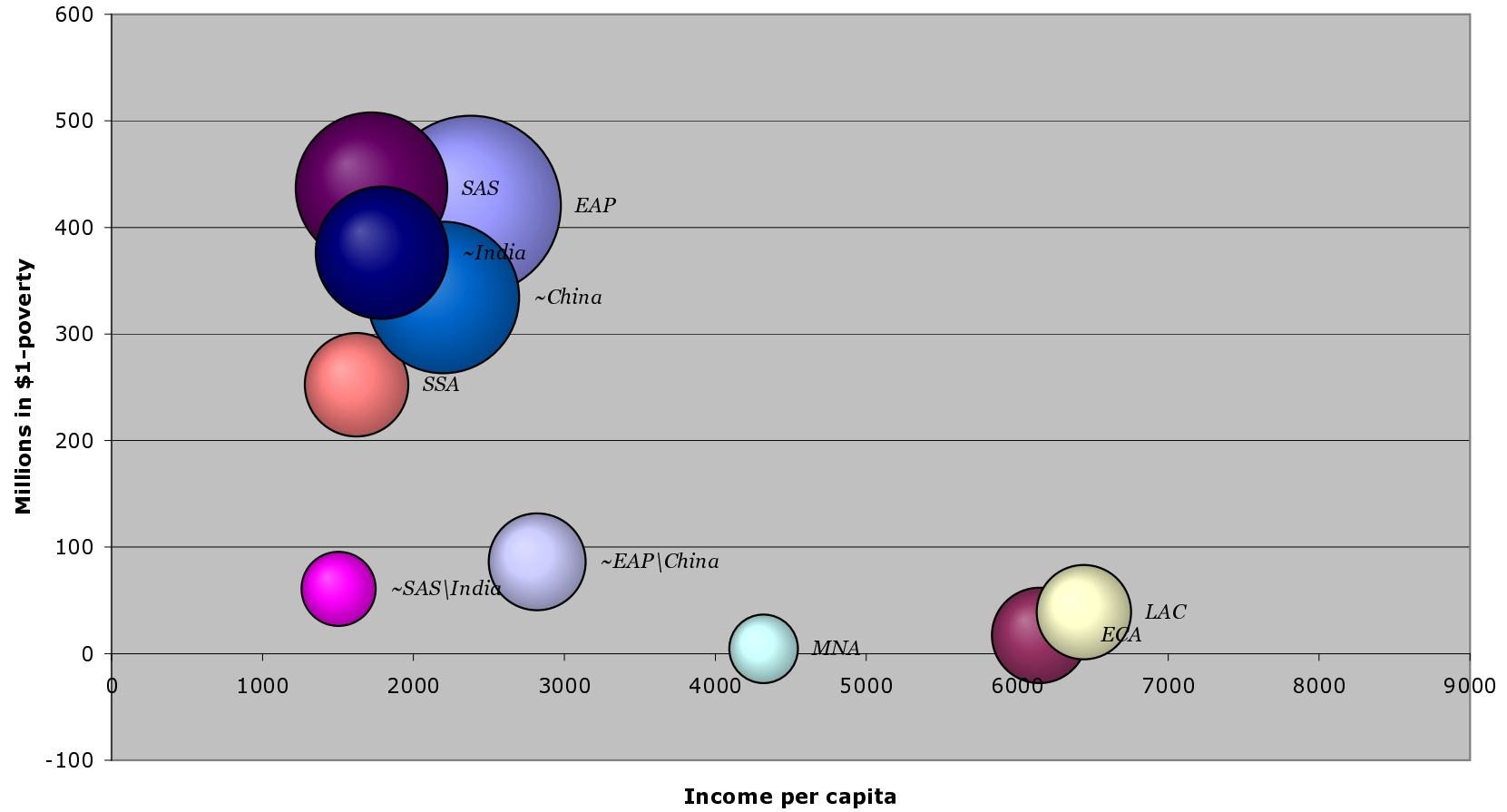
Table 1: The importance of China (PPP\$ means constant 2000 international\$)

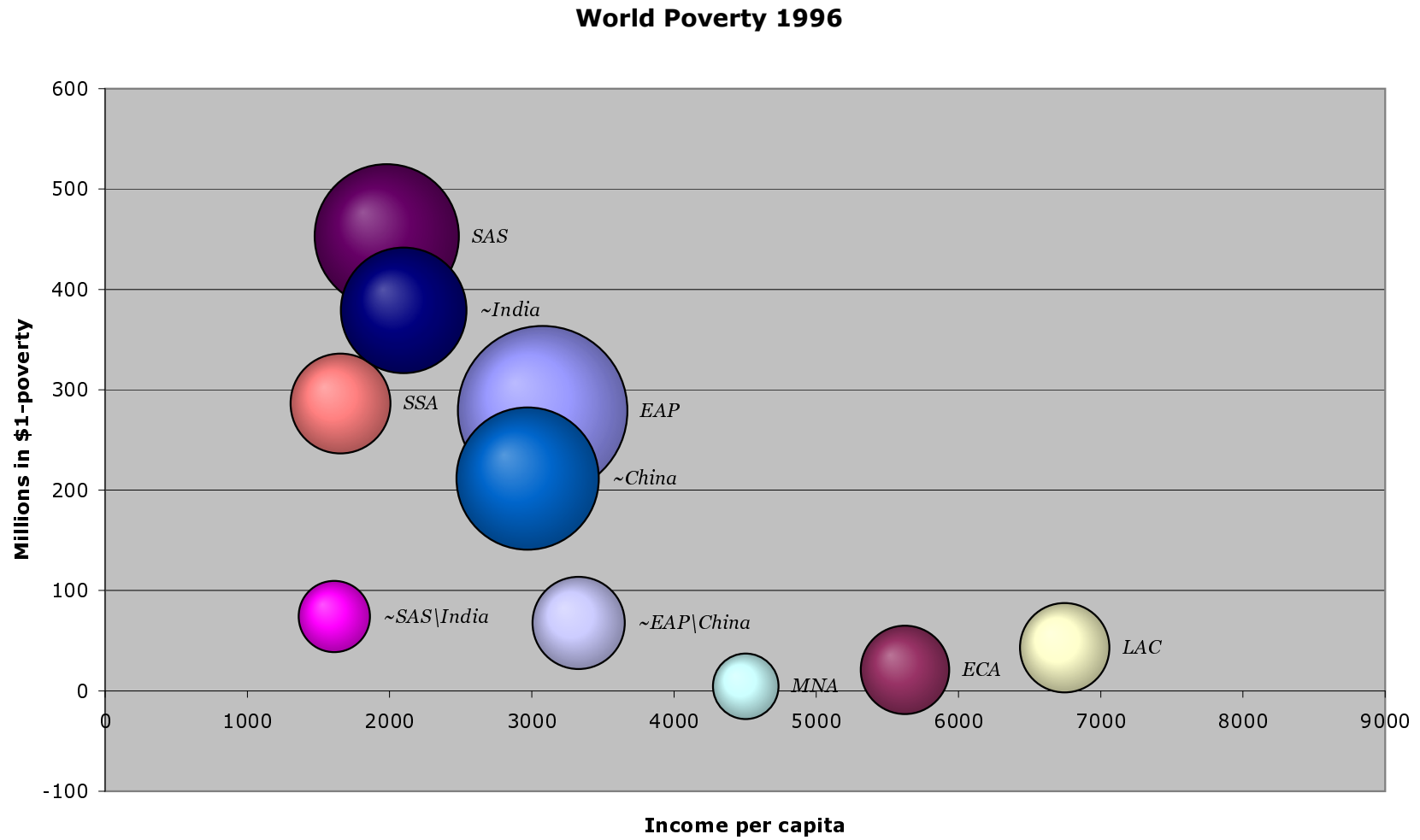


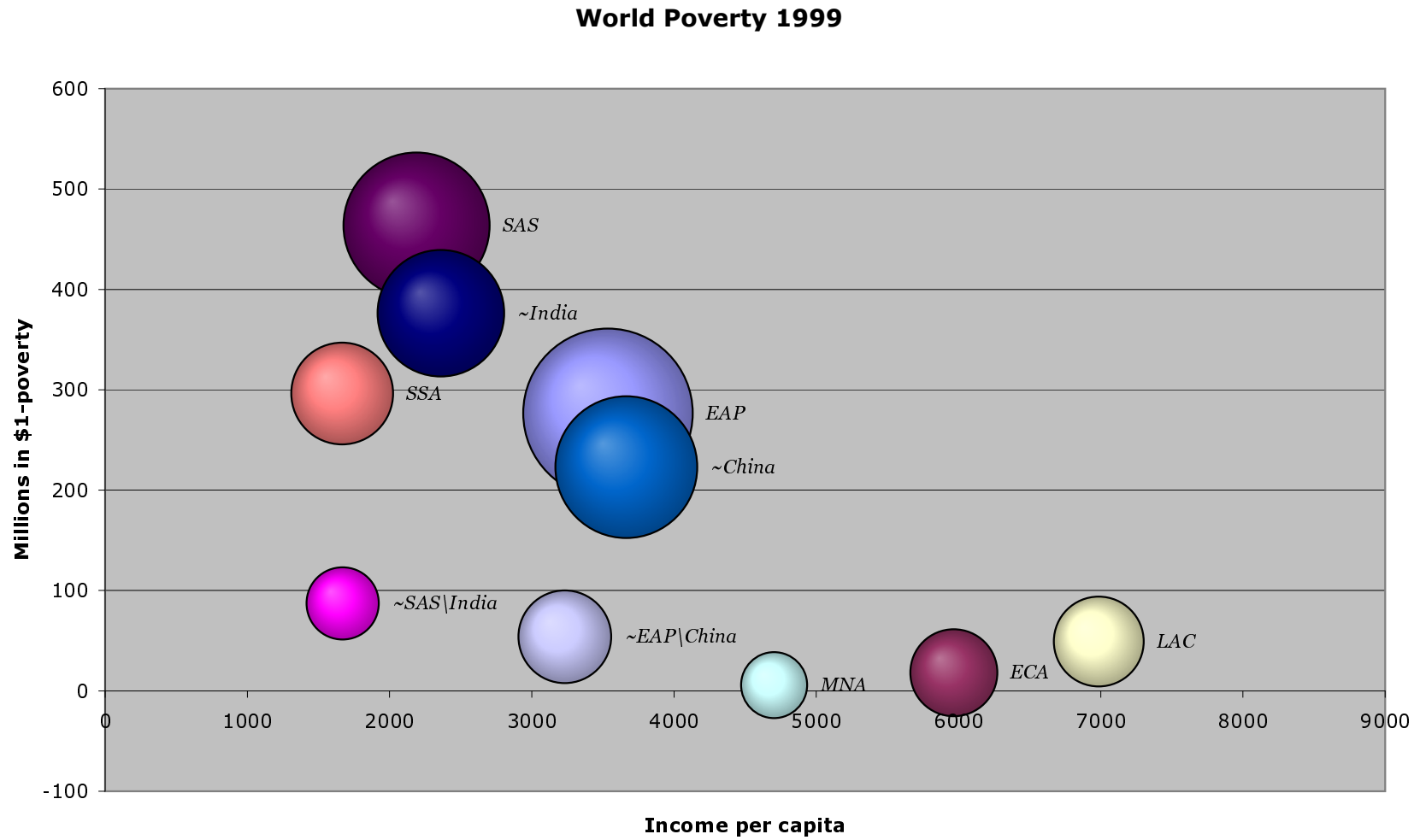
World Poverty 1990

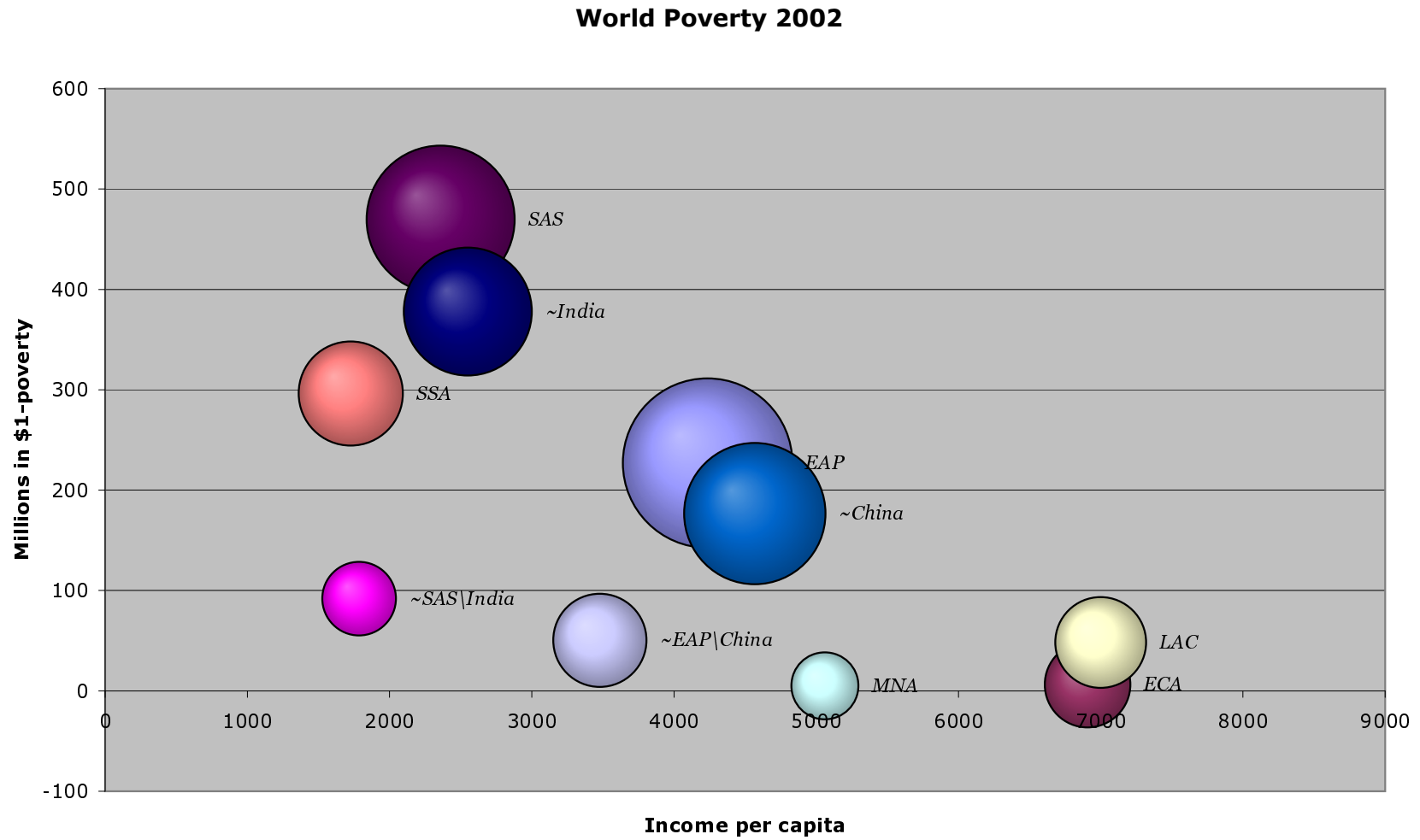


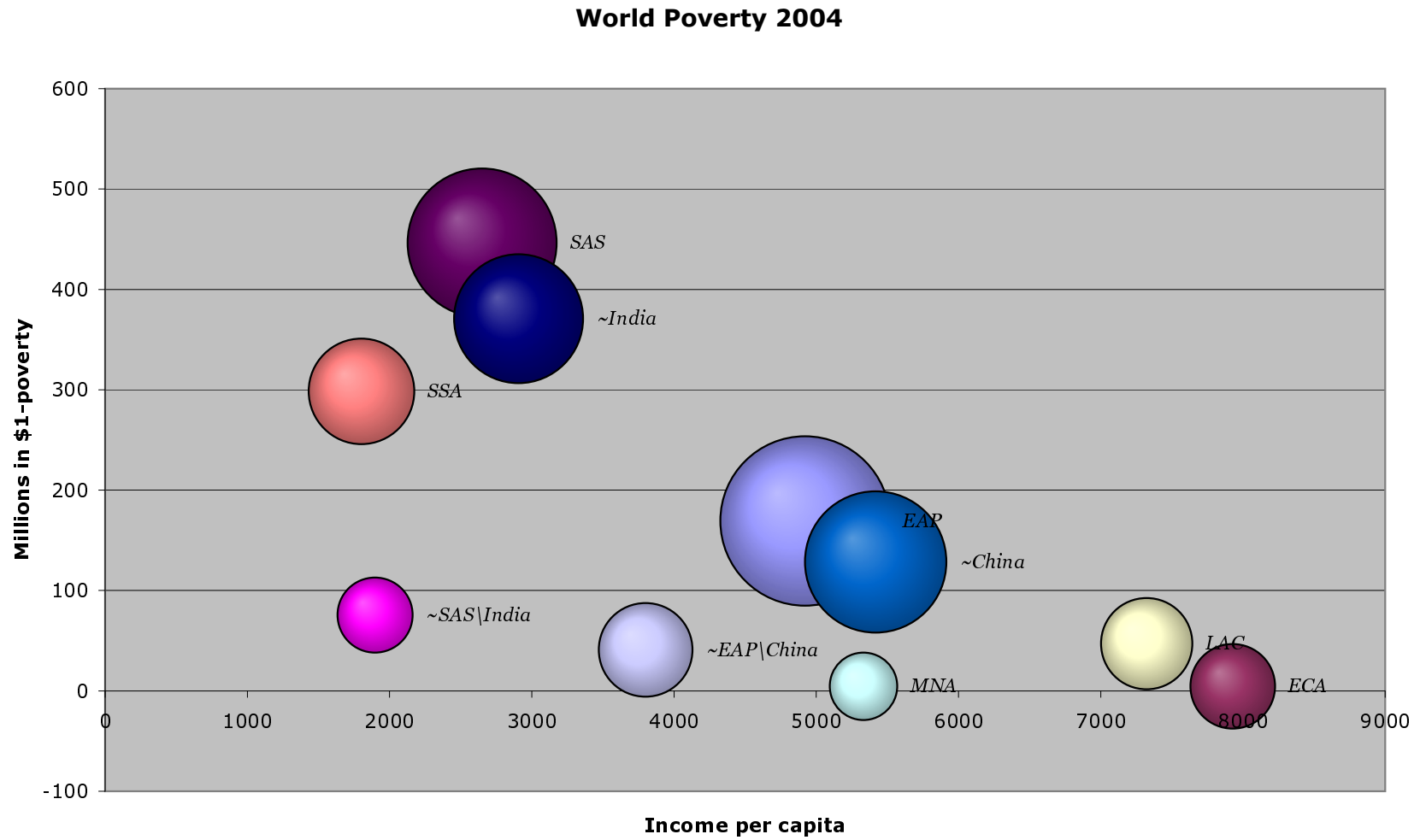
World Poverty 1993









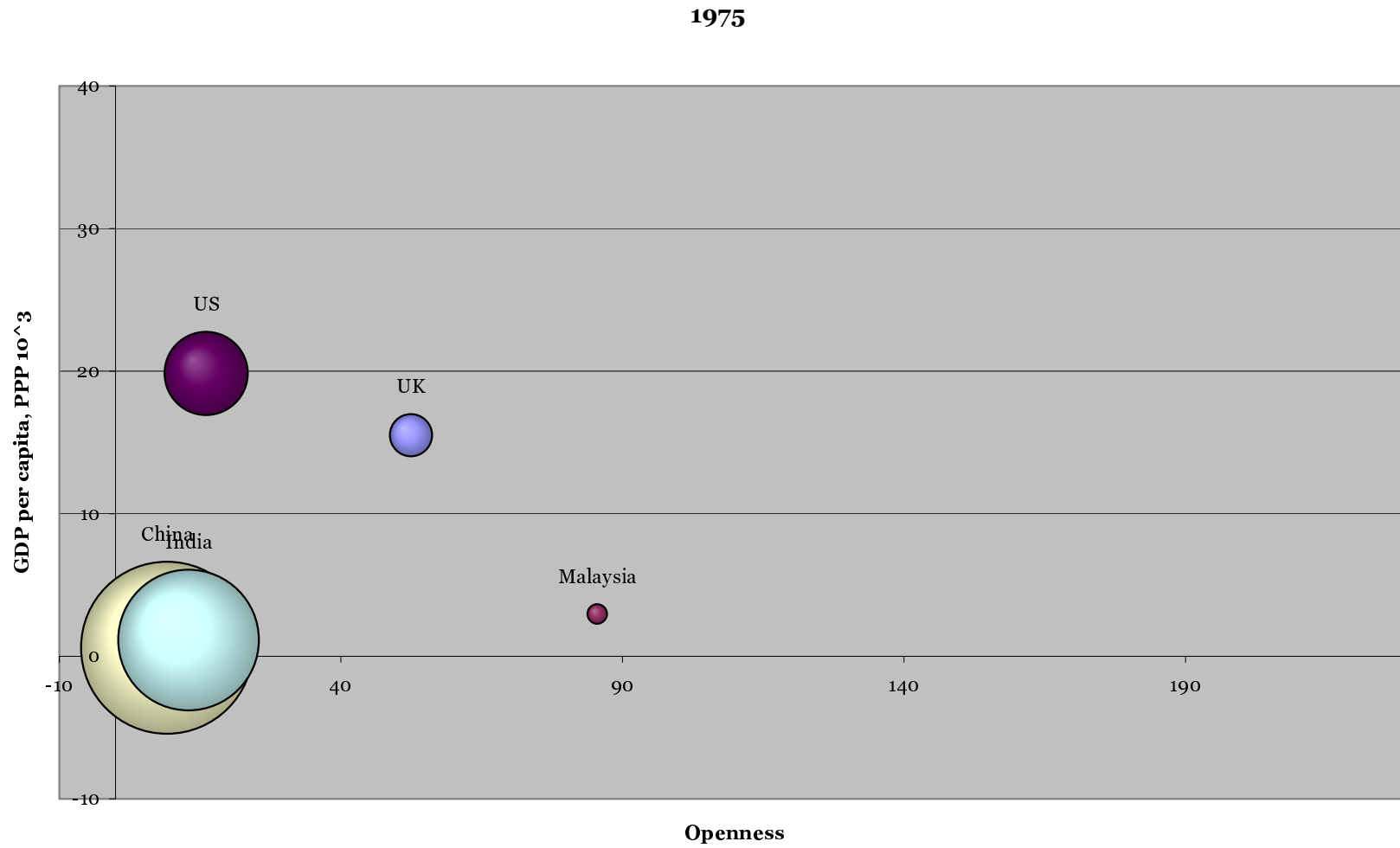


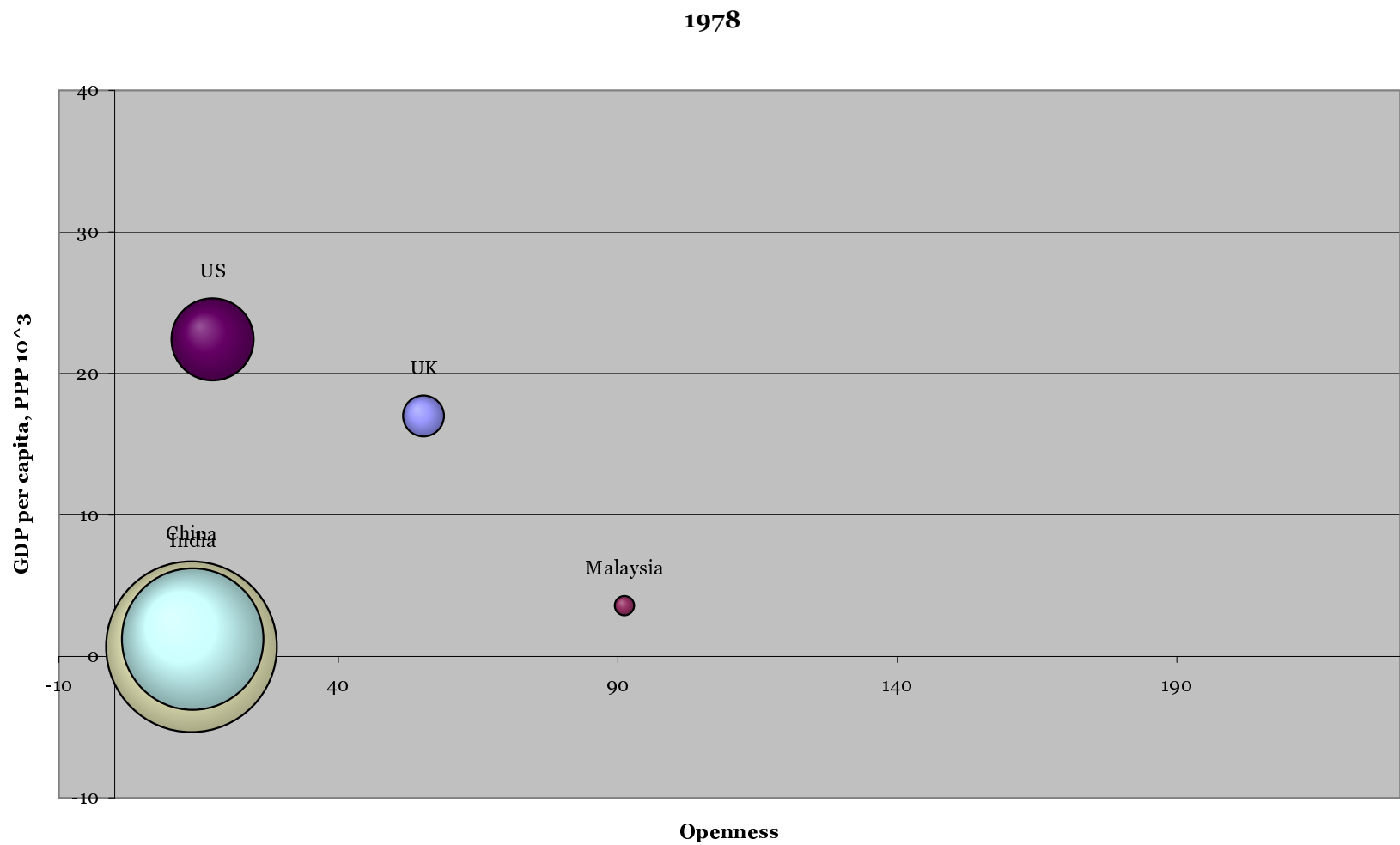


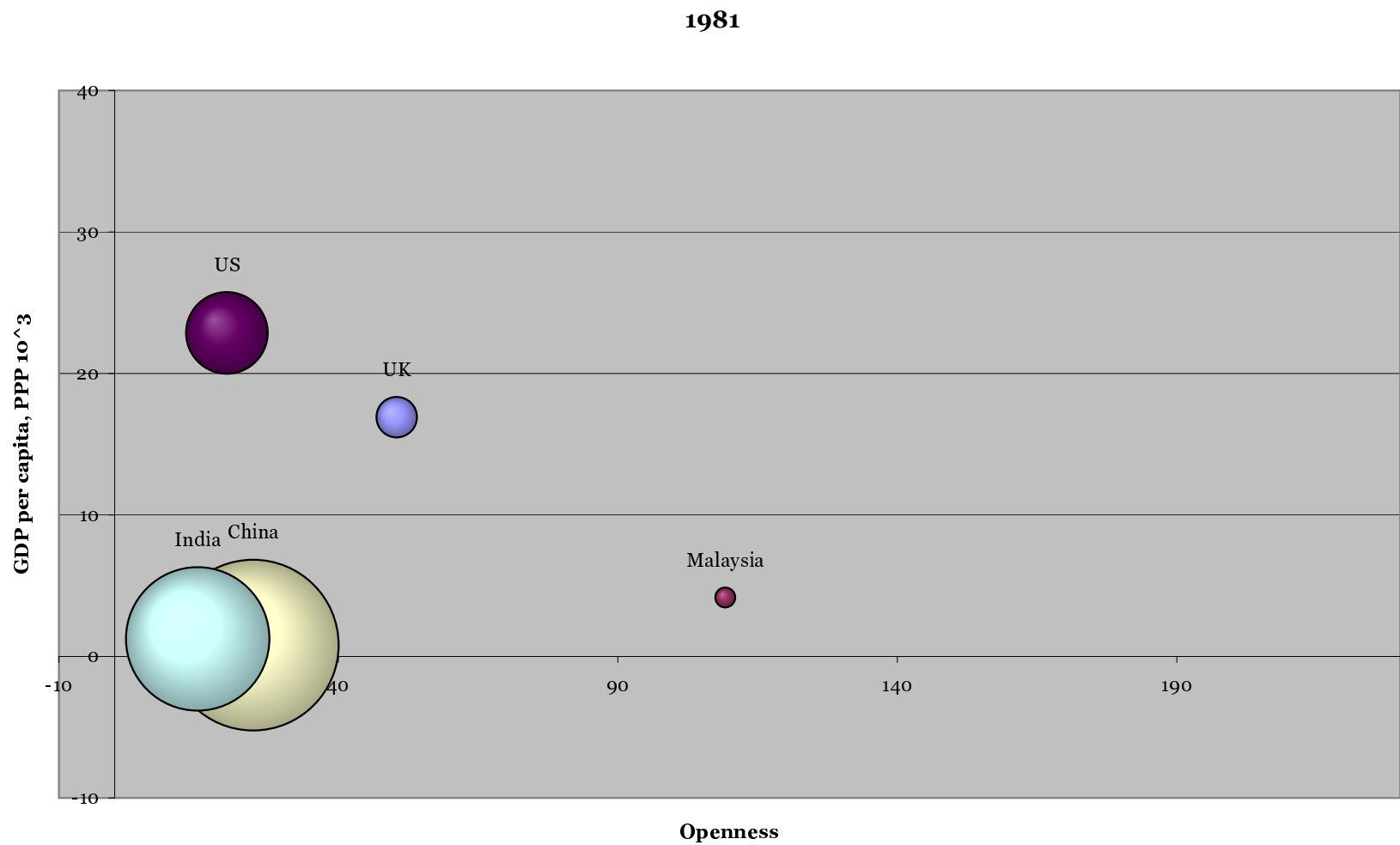
Over the last 25 years

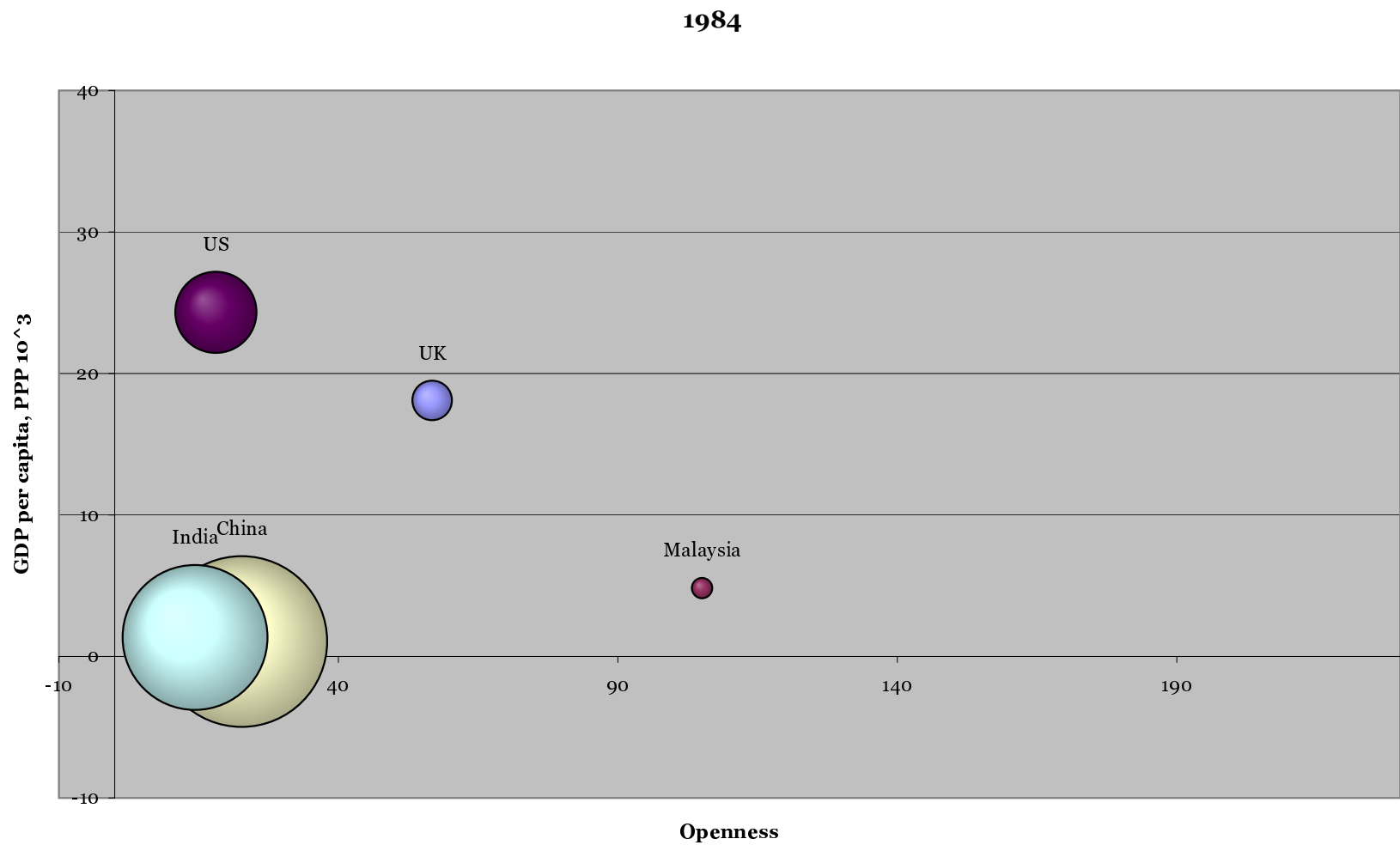
1. World income more than doubled.
2. World poverty fell by more than 500 million people ...
3. ... but poverty *outside China* remained roughly unchanged.

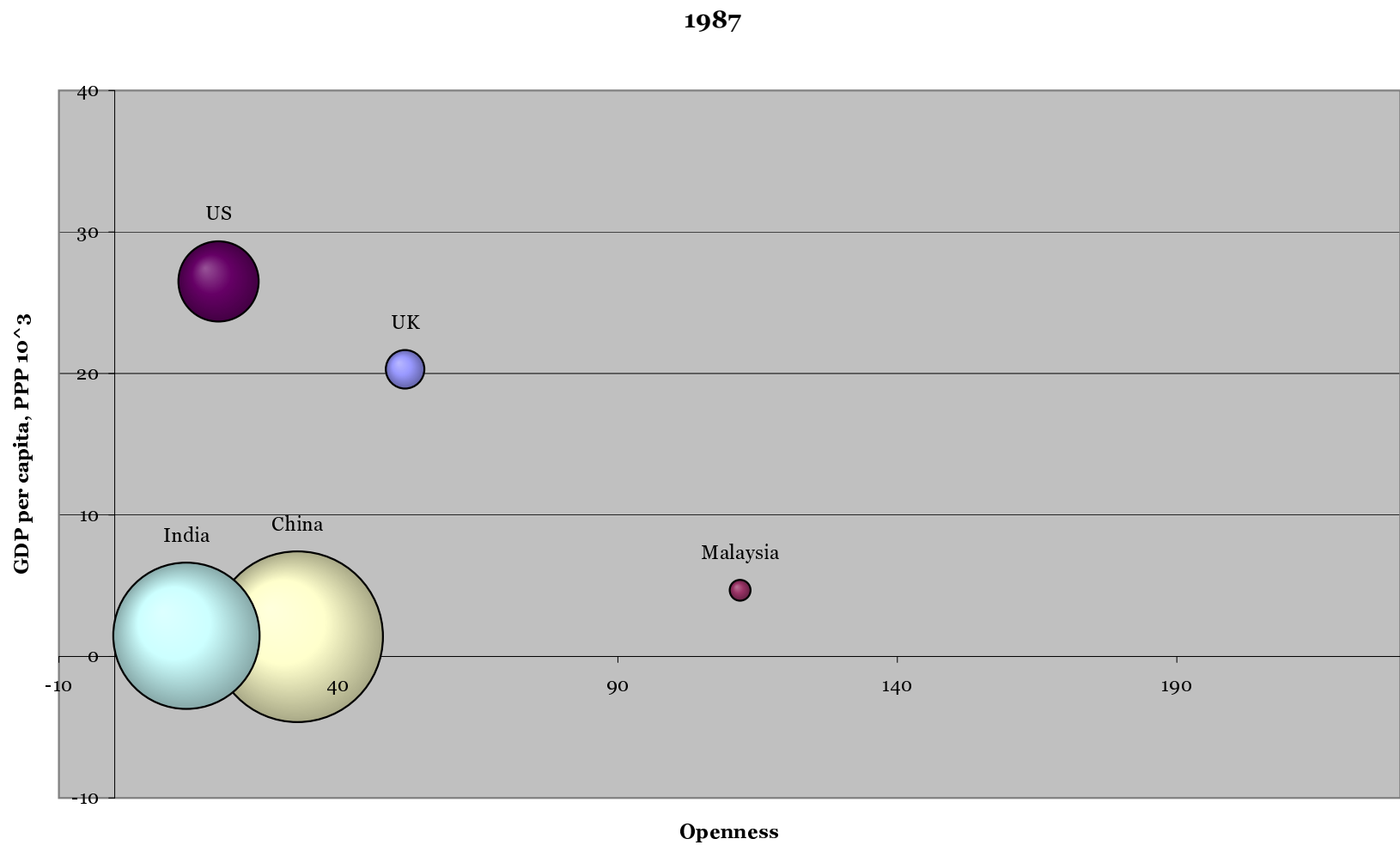




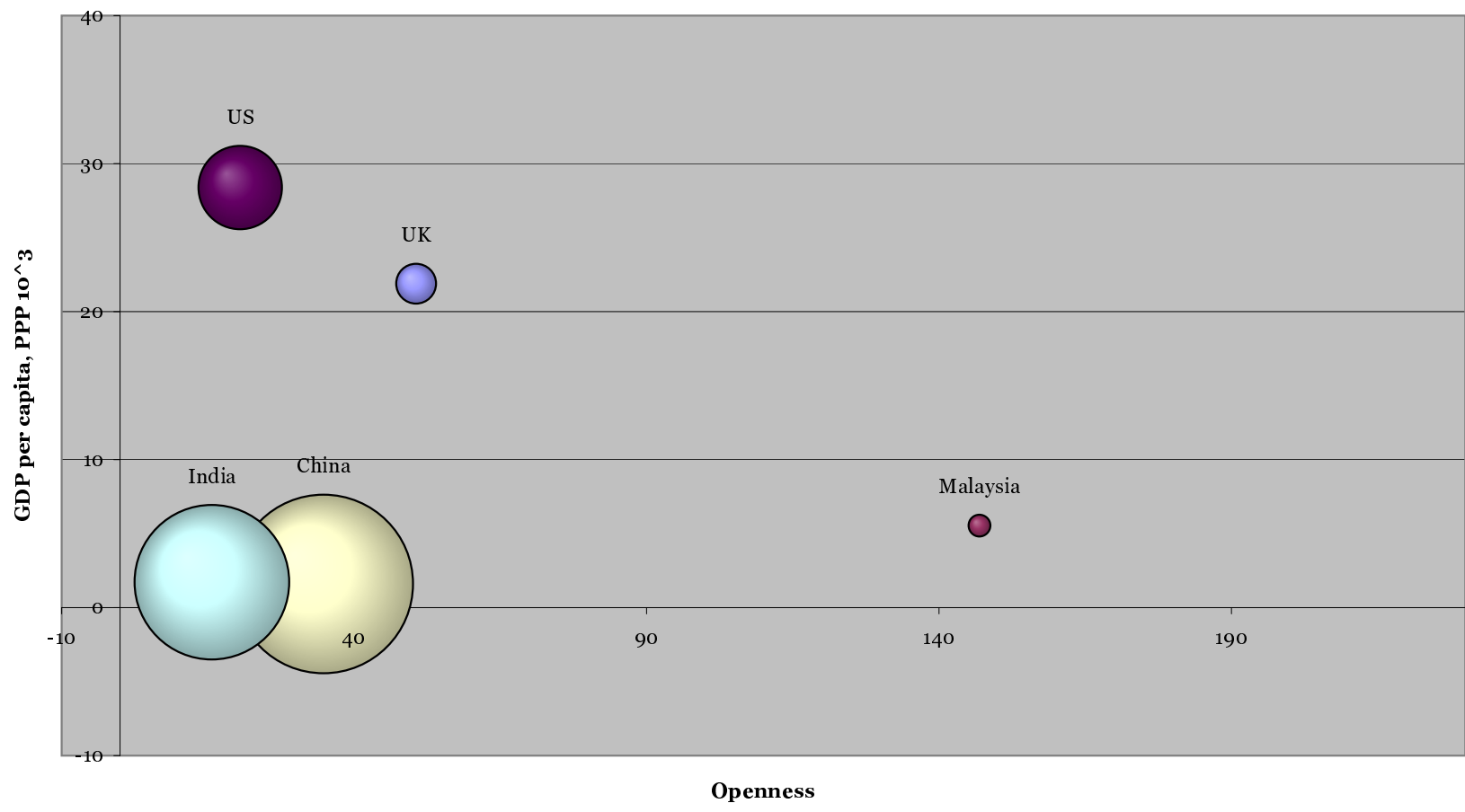


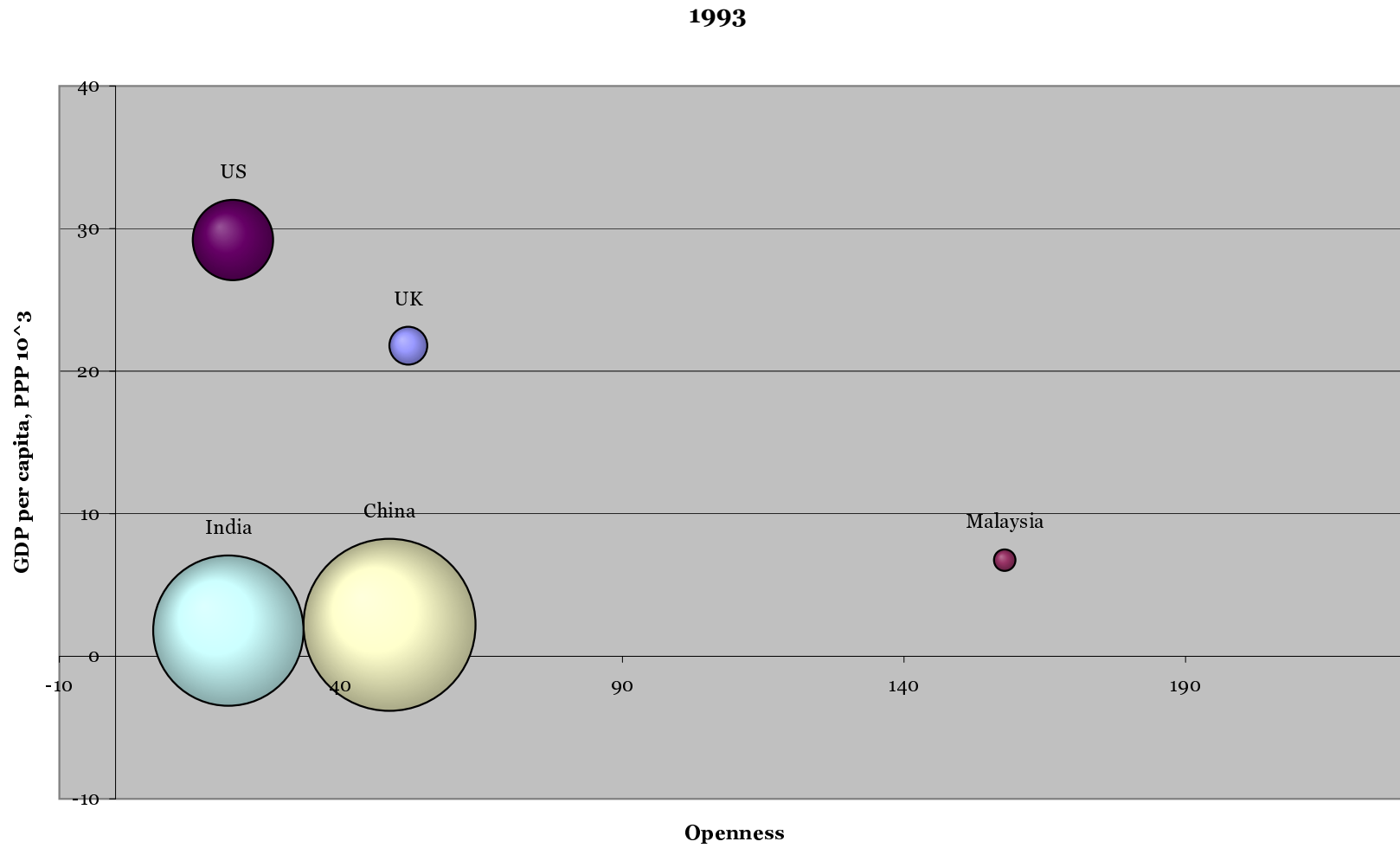




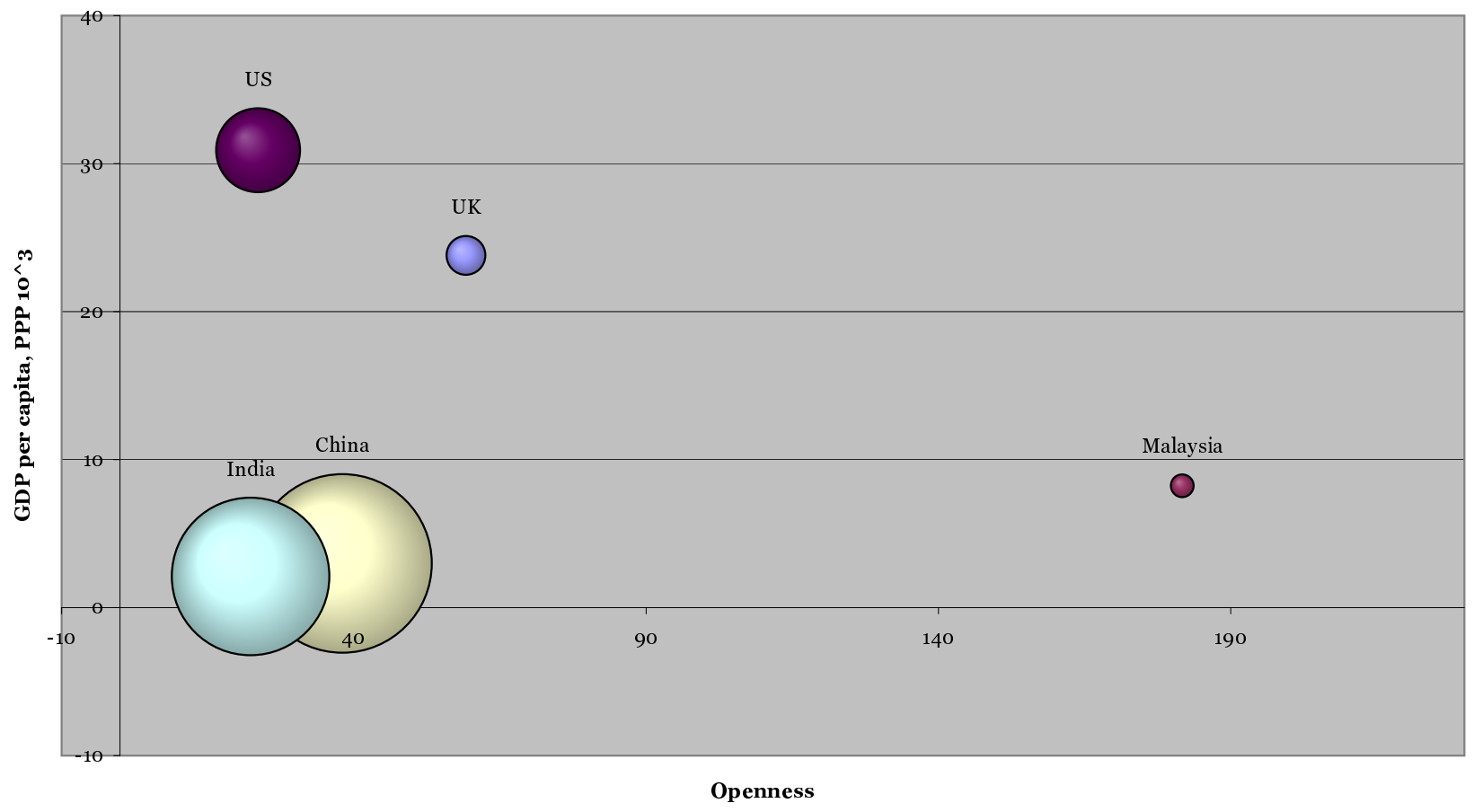


1990

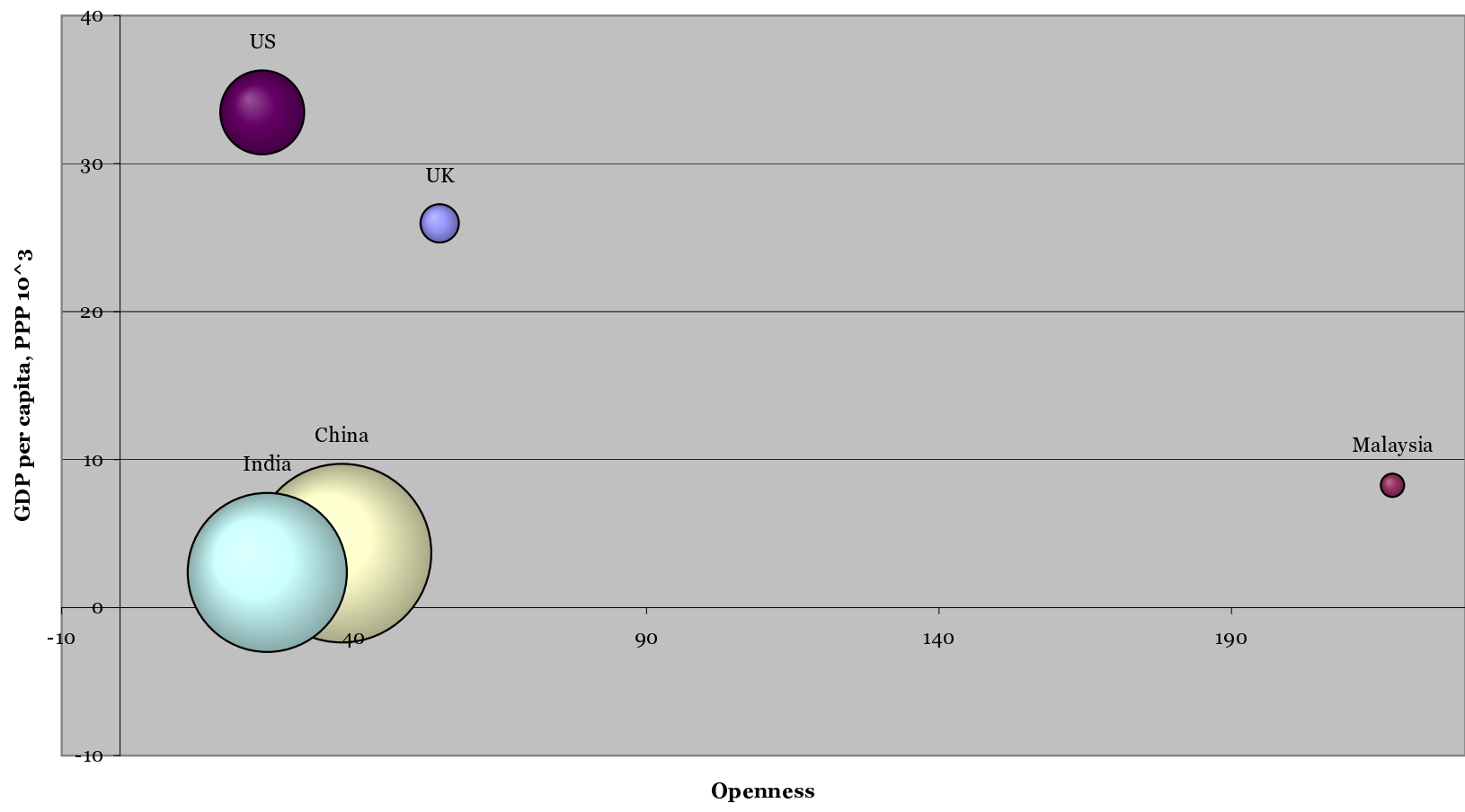


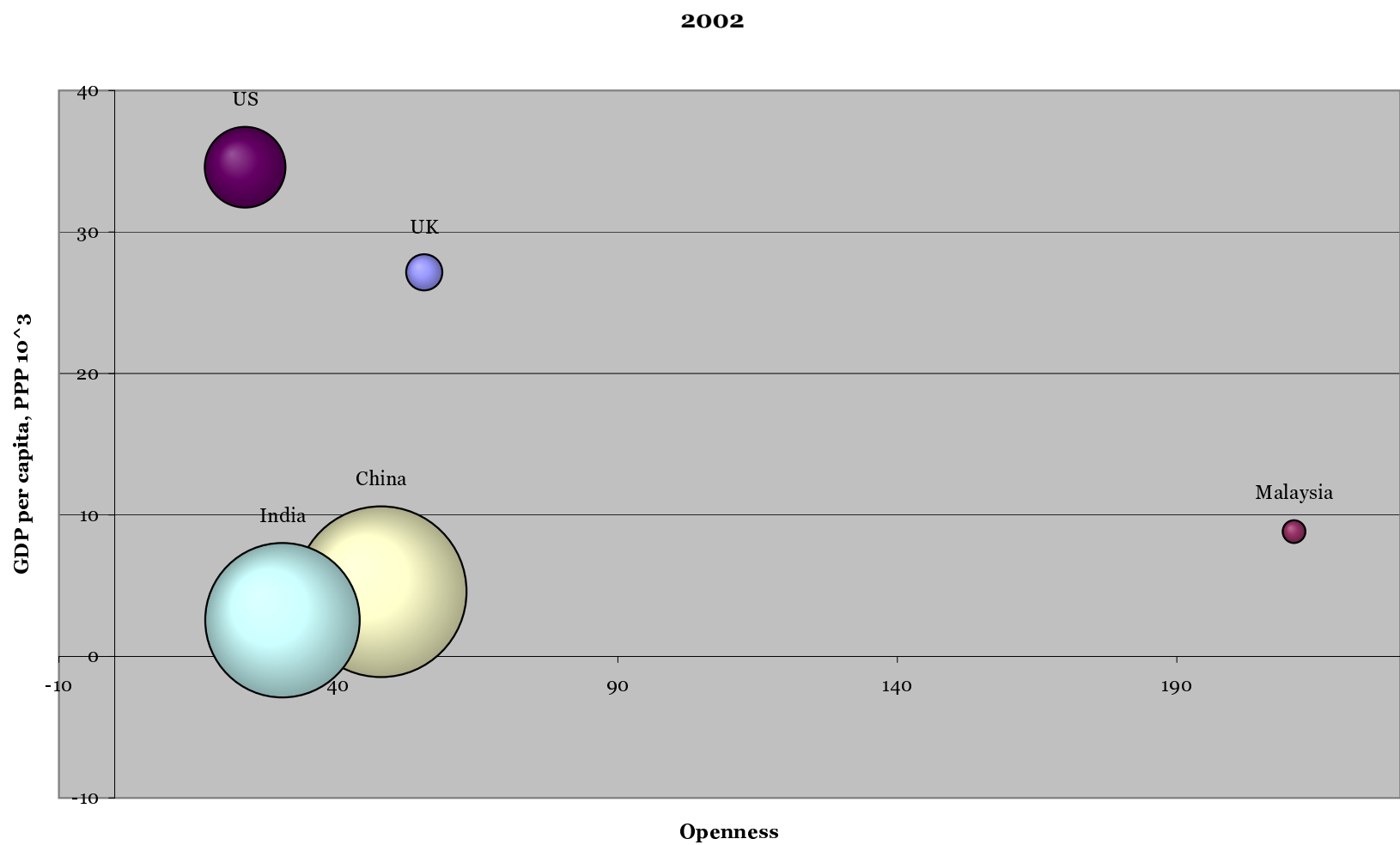


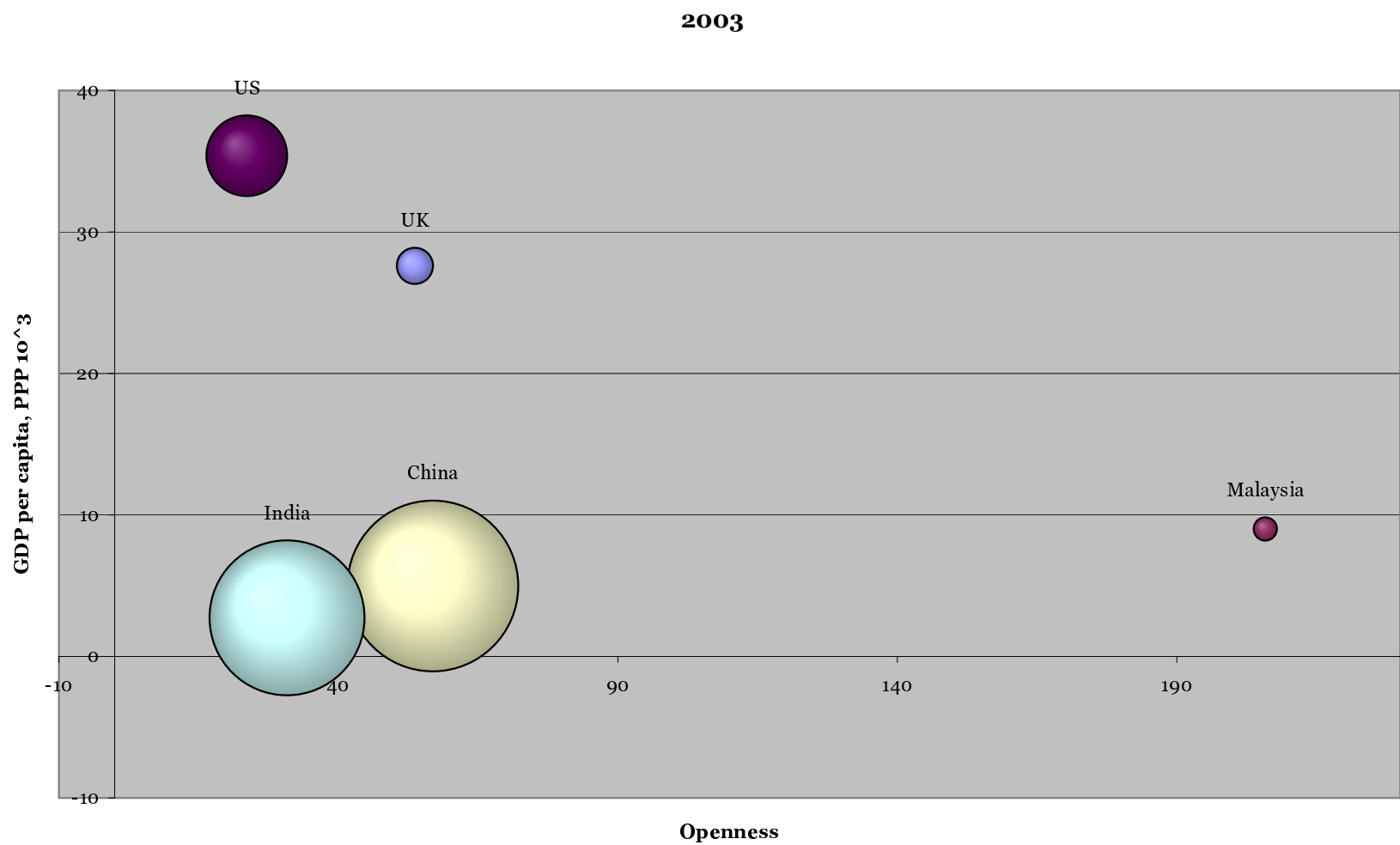
1996



1999









CONCLUSIONS

1. Is globalization reducing welfare in the advanced economies?
2. Is globalization reducing welfare in the rest of the world?
3. Who gets the last word?

Global Imbalance, Global Inequality

Danny Quah

Economics Department LSE

<http://econ.lse.ac.uk/staff/dquah/>

09 August 2007

British Council, KL